

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 EB-11 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-04

RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

PRS-01 SPC-03 OMB-01 SAJ-01 NIC-01 SCI-06 SCEM-02

XMB-07 DRC-01 /181 W

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC IMMEDIATE 639

C O N F I D E N T I A L BUDAPEST 4000

E.O. 11652: GDS

TAGS: HU, US, ECON, PFOR, PINT, ENRG

SUBJECT: QUARTERLY REPORT ON MAJOR POLITICAL AND ECONOMIC TRENDS

REF: BUDAPEST 3996 SECTION 4 OF 4

1. PSE CANCEL SECTION 4 OF BUDAPEST 3996 (BUDAPEST 3998) AS
TRANSMITTED AND SUBSTITUTE FOLLOWING:

2. HSWP REMAINS IN FIRM CONTROL OF AFFAIRS AND WE HAVE
NO EVIDENCE OF SERIOUS DIFFERENCES WITHIN THE LEADERSHIP.
ALL PARTY AND GOVERNMENT LEADERS ARE FORMALLY COMMITTED
TO THE NEM ALTHOUGH SOME APPARENTLY REMAIN CONCERNED
WITH THE EFFECT OF ECONOMIC DECENTRALIZATION ON THIS
HIGHLY CENTRALIZED POLITICAL STRUCTURE. THERE ALSO IS
SOME CONCERN IN THE PARTY THAT THE LEADERSHIP IS
INCREASINGLY AGED AND UNRESPONSIVE TO YOUTH AND THE
NEEDS OF MODERN SOCIETY. THE NOVEMBER CENTRAL COMMITTEE
DECLARATION FOCUSED ON THE NEED FOR INTRODUCING NEW BLOOD
INTO CADRES AND WARNED OF THE IMPORTANCE OF LOYALTY TO
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"SOCIALIST PRINCIPLES". POLITBURO MEMBER ACZEL HAS SINCE

EXPANDED THIS LATTER POINT. THE LEADERSHIP ALSO CONTINUES TO SHOW CONCERN ABOUT THE ACTIVITIES OF INTELLECTUALS AND TO MAKE MODIFICATIONS IN THE NEM IN THE INTEREST OF BLUE-COLLAR WORKERS. SOME WORKERS, SUPPORTED BY UNION LEADER AND POLITBURO MEMBER GASPAR, HAVE WARNED THAT FRUITS OF ECONOMIC REFORM SHOULD NOT BE DISTRIBUTED TO UNEVENLY, PARTICULARLY TO MANAGERS AND PROFESSIONALS. THE PARTY NOW APPEARS BENT ON AN EFFORT TO CONVINCE THE WORKERS THAT THEIR INTERESTS ARE BEING PROTECTED BY LARGE WAGE INCREASES, REGULATIONS AGAINST EXCESS PROFITS, AND STRONG MEASURES TO CONTROL INFLATION OF CONSUMER GOODS PRICES. WHILE UNDER CERTAIN CIRCUMSTANCES (E.G., A RADICAL WORSENING OF ECONOMIC SITUATION) DISSATISFACTION OF THESE TWO GROUPS COULD POSE A PROBLEM FOR KADAR. HIS CONTROL AND THAT OF THE REFORM ELEMENTS ASSOCIATED WITH HIM, SHOULD BE CAPABLE OF COPING WITH ANY PROBLEM INVOLVING THESE TWO GROUPS IN THE MONTHS AHEAD.

3. CC STATED ITS CONCERN IN NOVEMBER ABOUT LEADERSHIP WHICH DID NOT KNOW HOW TO KEEP PACE WITH PROGRESS, ENLARGE ITS KNOWLEDGE, OR MEET INCREASING REQUIREMENTS. PETER'S REPLACEMENT IS ONLY MAJOR CHANGE SINCE THEN. REPLACEMENT OF MEN OF LONG ASSOCIATION WITH KADAR WITH THOSE YOUNGER AND POSSIBLE NOT AS RESPONSIVE TO HIM COULD BE A SIGN OF SUBSTANTIAL CHANGE IN POLICY AND/OR ORIENTATION. HOWEVER, HUSZAR, VALYI'S REPLACEMENT AS DEPUTY PM, IS CLEARLY A LIBERAL ELEMENT POSITIVELY COMMITTED TO NEM. IN ANY CASE, NET BALANCE REFLECTED IN PERSONNEL CHANGES THAT MAY BE FORTHCOMING WILL BE OF CONSIDERABLE INTEREST REGARDLESS OF WHETHER ANALYSIS PROVES THAT NEW LEADERS ARE MORE INDEPENDENT-MINDED OR MORE MOSCOW-ORIENTED.
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